NOTES

WASHINGTON NOTES

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What seems likely to prove an episode of considerable interest a significance in connection with the history of banking and curren legislation has taken place during the past month in the House Representatives. This is the so-called "money-trust investigation The demand for this investigation has a peculiar history. Originally seems to have been presented to certain Democratic leaders by Willia J. Bryan comparatively early in the special session of Congress of 191 —probably about May, 1911. This demand was rejected. Final Representative Lindbergh of Minnesota, appeared before the Rul Committee of the House, urging that that body adopt a resolutio calling for an inquiry into what he termed the "money trust." Thi proposal gave rise to a long discussion in which the Lindbergh pla received the direct support of Mr. Bryan. As formulated early in Janu ary, 1912, it called for an investigation of the national banking syster the National Monetary Commission bill and a great variety of specifi transactions in corporate finance in which various national banks ha participated within recent years. As time went on, the radical o Bryan Democrats practically adopted the Lindbergh scheme in it enlarged form and Representative Henry, of Texas, introduced a revise and consolidated form of the resolution providing for it as House reso lution 405, 62d Congress, 2d Session. This resolution in its first para graph called for a study of the legislation now pending in Congress fo the changing of the national banking system. The resolution was considered by the Democratic "steering committee" early in January and an adverse conclusion was reached. Then a call for a caucus was issued at the request of Bryan Democrats, and on February 7 the question was fully discussed and voted upon by the House Democrats. At this caucus the plan of ordering the investigation and appointing a select

committee of seven members was rejected. Four existing committees, those on banking and currency, election of President and Vice-President, Judiciary, and Interstate and Foreign Commerce, were directed to consider so much of the Henry resolution as might be germane to their own field of work. This was presumably nothing more than a parliamentary way of disposing of the whole matter. Radical Democrats, however, succeeded in securing the introduction of words in the caucus resolution making the inquiry mandatory instead of permissive, the latter having been the plan at first proposed by the conservatives. The Bryan men showed a disposition to cause trouble in the event that the committees failed to proceed vigorously with the inquiries. Hence Chairman Pujo of the Banking and Currency Committee introduced on February 9 a resolution in which he provided authority for the study of the money trust situation by his own organization in the way apparently contemplated by the caucus. He, however, made no reference in this resolution to the Henry plan (No. 405), but left the scope of the investigation as vague as it had previously been. The significance of the incident is found in the fact that it undoubtedly forces to the front the question of banking and currency which many had intended to leave in the background as long as they conveniently could. It will be impossible to ignore the fact that the radicals in the party wish to subject the new banking plan to severe criticism, even if this criticism be not allowed to develop openly. In this unexpected way, conservative Democrats have found themselves forced, therefore, to confront the question of legislation on banking at once instead of deferring it until after the next presidential election, if not longer.

As a result of the passage of the urgent deficiency bill (H. R. 15,930, 62d Congress, 2d Session), the United States Census has been placed in a position which will undoubtedly damage most seriously its prospects of supplying a satisfactory decennial report. The Director of the Census had asked the House Appropriations Committee for an additional appropriation of $1,000,000. After lengthy deliberation, this was cut by the House to $500,000, was raised again to $1,000,000 when the bill went to the Senate, and the final amount was set at $500,000 in conference committee. Inasmuch as the Census had estimated that the whole sum would be necessary in order to continue its existing force and get out the reports, this necessarily meant a large curtailment without further delay. Since the passage of the bill (H. R. 15,930) several hundred clerks and a large number of expert special agents have been dropped from the rolls,

and the process of issuing the reports of the bureau has been correspondingly checked. It will be impossible to recover from this setback. Even if Congress should now supply the money needed, the force could not be immediately reconstituted, but many months would have been lost. Moreover, nothing can be expected of Congress at this session in view of the refusal already given to the requests of the bureau. It will, therefore, be necessary to wait at least a year for more vigorous prosecution of the work of the Census. This necessarily delays the figures much beyond the time when they would be most useful and would also make it difficult to bring them out in any shape even at a later time. The present expectation is that the publications actually made on the different topics will be partial and incomplete as well as belated. The action of Congress is ascribed very largely to the desire to make up in some measure for the heavy expense incurred in connection with the new pension plans, the census being used as one item in the program of economy. It is complained by Congress that the Census Bureau misled the legislative body as to the original estimated cost of the enterprise. That is undoubtedly the case, very low estimates having been submitted at the time when S. N. D. North was chief of the bureau, and subsequently confirmed after the change in the headship of the organization had been made whereby E. D. Durand took charge. It is, however, true that Congress, after the submission of these estimates, imposed extra work upon the bureau, such for example as the so-called "mother-tongue investigation," which added largely to the cost of field work. The increase in national population, which was larger than had been expected, also entailed more expense. Economies were not realized in the office to the extent that had been expected. It had been predicted that the use of tabulating machinery of a supposedly improved type would very greatly reduce the required outlay, but this has not proved to be the case. Some serious administrative errors have been committed. Schedules were prepared in far too complicated a form, under the influence of inexperienced advisors who, although academically familiar with statistics, had had little practical training. The suggestions of men acquainted with industrial conditions were in many instances rejected, and the result has been heavy cost in the filling of schedules, in additional field work designed to rectify mistakes, and in other similar ways. More expensive than anything else has been the unnecessary loss of time resulting from these errors of judgment. It seems probable that the new census will be the least satisfactory of its kind for many years.

Commissioner of Corporations Smith has issued another thorough

report on steel, in continuation of the work which has been in progress in his bureau for several years. The first part of this report was issued last summer and dealt almost entirely with financial conditions, devoting its principal attention to the circumstances under which the United States Steel Corporation was organized and the subsequent history of that concern. The present report deals wholly with the cost of production of steel itself, and is the outcome of a very lengthy accounting inquiry into the books of the various manufacturing concerns. It is found that the costs of the United States Steel Corporation must be studied with a view to the fact that it is the result of combination of a great number of concerns, so that its "book costs" include profits paid to other subsidiary corporations. Cost, therefore, may be studied from two very distinct standpoints—actual cost, and book cost, the latter including so-called "intercompany profits." The bureau has, therefore, presented its cost data on the basis of average of book costs and has then deducted the average intermediate "transfer profits," thus showing the revised costs. Starting with this general plan, the bureau first examines the production of iron ore and finds that the cost of the raw material is an underlying and cumulative influence throughout the whole process of steel-making. The report shows that this cost of ore has been enormously "marked up" by the United States Steel Corporation as a result of very large charges for depreciation of ore deposits and the like, and through enormous allowances for transportation, notwithstanding the ore-carrying roads are owned by the corporation itself. The book cost of ore for a five-year period was $2.64 per ton. Bessemer pig-iron had a book cost of $13.89 but this was subject to a deduction of $1.79 for "transfer profit," leaving a net cost of $12.10. In the same way, the cost of Bessemer rail ingots is figured at $17.59 on the books, subject to a deduction of $1.84 or a net cost of $15.74. Heavy Bessemer rails had a book cost of $21.27 and a net cost of $18.80. Other products are computed in the same way. One of the most interesting features of the report is the information it supplies regarding the differences in cost between large and small companies. It appears that the small concerns which do not own their own ore—except perhaps to a limited extent, some of them buying from the Steel Corporation—and which do not own the means of transportation, have a considerably higher cost of production than does the Steel Corporation itself. Contrasting the figures for large and small companies, this difference in success in keeping costs down is still more apparent. Thus the "large companies," including the Steel Corporation, the Republic, the Lackawanna, and the Jones

and Laughlin companies, had a much lower cost than a group of small concerns which were compared with them. The large companies showed a book cost of steel billets of \$19.89 per ton while the small ones reported \$22.54. When the transfer profits were taken out for the large companies their cost was \$17.56 and the small companies, when treated in the same way, reported \$21.69. A part of the difference in favor of the large companies appears to be due to superior efficiency, but a part is evidently due to monopolistic control of ore. The greatest evil in the industry found by the bureau is the control of ore and transportation. On the whole, this report ranks with the best that the bureau has turned out and is the most thorough analysis of steel costs that has been published. (*Report of the Commissioner of Corporations on the Steel Industry*, Part 2, "Cost of Production.")

Chairman O. W. Underwood of the Ways and Means Committee on January 26 reported, and the House on January 29 passed, a bill (H. R. 18,642) reducing the rates of duty on iron and steel products. This bill has now gone to the Senate Finance Committee, where it is under consideration in open hearing, iron and steel producers being permitted to testify with reference to it. The general rate of reduction carried by the bill varies from 30 to 50 per cent of the rates established in the act of 1909. The largest reductions are found in the rates on heavy iron and steel products, iron ore being free, pig iron 8 per cent, steel rails 10 per cent, etc. The higher products are also considerably reduced, although by no means so extensively, cutlery, for example, being given a rate of 35 per cent. A good many machine products controlled by monopolies or subject to extensive patents are placed on the free list. This is the case with linotype machines, sewing machines, cash registers, and others. The bill is supported by reference to the report of the Commissioner of Corporations on the cost of producing iron and steel, by the testimony of steel managers before the House investigating committees, by the reports of the Bureau of Labor and the Immigration Commission which show extremely low wages in the steel industry, and by figures from the Bureau of Statistics which show our capacity to export very largely in competition with other countries. The bill is probably the most considerable and important measure of tariff revision that has yet been proposed with any material chance of success. Republicans have attacked it on the ground that it has been prepared without having received previous study by the Tariff Board and that the rates fixed by it are unreasonably low.

Publication by the Senate and House of the proceedings at the Isthmus of Panama with reference to the problems of the Canal is putting the real nature of the Canal question in the clearest light yet thrown upon it (Senate Doc., 62d Congress, 2d Session, No. 191, etc.). During the autumn, subcommittees of the House Committee on Interstate Commerce and of the Senate Inter-Oceanic Canal Committee visited the Isthmus and took testimony from the principal officers of the Canal organization as well as from the members of the Panama Canal Commission and the Panama Railroad. The points now most sharply raised are those of tolls through the Canal and the form of government in the Zone after the completion of the Canal, including under the latter head the question how far the government of the Zone shall go toward taking over strictly commercial functions. Taken together, these two points make an economic issue of profound importance. Probably the phase of the subject which will receive most detailed consideration for a good while to come is the question of tolls.

The Hay-Pauncefote treaty of February 22, 1902, contained what has been supposed to be a binding agreement concerning the treatment of vessels going through the Canal. The first section of article 3 of that document reads as follows:

> 1. The Canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable.

On the strength of this provision, it has been assumed that we could not discriminate in favor of our own ships; but the Taft administration, is now urging the refunding of tolls to American vessels passing through the Canal, or at all events the establishment of a subsidy equal to the tolls. This request is backed by very urgent representations on the part of Pacific coast shipping interests which desire to have a refund of the tolls at least to American vessels engaged in the coastwise trade. During the month of January a large number of witnesses appeared in Washington before the House Committee on Interstate Commerce for the purpose of making this demand. The rates of toll which are being considered vary from $1.00 to $1.50 per net registered ton, and the disposition of members of Congress is to make the toll uniform to all vessels including American coastwise ships, in the expectation that, with a low rate of toll paid alike by all, enough would be annually earned to pay the operating expenses and maintenance charges of the Canal.

This would practically imply the "writing off" of the original Canal cost or the bulk of it, as a sum chargeable to military necessity. Professor E. R. Johnson of the University of Pennsylvania has submitted to the committees of Congress careful studies of the probable traffic passing through the Canal and of its probable competitive power in getting oriental trade which might pass indifferently through the Suez Canal or through Panama. In these studies, Professor Johnson lays great stress upon the coal supply, and points out that it is as necessary to have cheap and available fuel at the Canal as to have low tolls. This factor is strongly influencing the movement in favor of governmental coal storage establishments at the Isthmus which would supply fuel to vessels passing through the waterway. With cheap coal and low tolls the Canal is expected to control the whole of the west coast trade and to compete successfully for its share of the oriental trade which now goes around the Horn or through the Suez Canal.

President Taft has sent to Congress (January 17, 1912) a message transmitting the first report of his Committee on Federal Efficiency and Economy, a body which has now been in operation for more than a year. This report does not cover the extensive ground which was expected by many, but President Taft states that the commission has several series of reports in process of preparation and will be able to turn them in gradually. The first set of recommendations made by the commission and conveyed by the President to Congress includes a considerable number of disconnected proposals which in the aggregate are estimated to save $50,000,000 a year, thus working a very large transformation in federal management. The recommendations may be grouped in three classes: (1) those which call for changes in methods of appointment of officers, to secure greater efficiency; (2) those designed to bring about better office practice or to insure the more economical use of resources; and (3) those intended to abolish existing services or to consolidate them with others or to change the terms of employment. The recommendations included under the first head (although this classification is not followed by the commission itself) may be exemplified by the suggestion that chiefs of bureaus shall be appointed on a civil service basis. This is a recommendation that has long been made and would undoubtedly be very desirable. It, however, cannot be secured without action by Congress making it compulsory; though any President may employ civil service methods in appointing such bureau chiefs and others during his own administration if he chooses. A type of the second class of

suggestions is afforded in the recommendation that uniform methods of filing correspondence and the like be put into effect in all government departments. This is a class of proposals some of which are feasible and nearly all of which are familiar, the subject having been thoroughly covered by the so-called "Keep Commission," an organization of public officials created by President Roosevelt a few years ago and headed by Assistant Secretary Charles S. Keep. The third class of proposals is exemplified by the suggestion that the revenue cutter service be abolished or amalgamated with some other service, thereby cutting off, or greatly reducing its expense. This suggestion and others of the same class are open to very serious and legitimate difference of opinion. Most of them have been suggested for a long time without result. A perusal of the findings of the commission is considered by most careful analysis of government to show that the Economy and Efficiency Commission is not justifying itself and may well be abolished. Nearly everything that is of unquestionable utility in its report is thoroughly well known as a result of years of agitation, as in the case of the civil service proposal, and has been thoroughly reviewed in the reports of previous commissions, accounting experts, and others who have been employed from time to time to study federal administration. Most of the suggestions which are not thus familiar are of exceedingly doubtful utility and will probably form the subject-matter of political controversy for a great while. President Taft has already engaged in a sharp contest with members of Congress for the purpose of securing additional appropriations for this commission—a contest whose outcome is very questionable. One strong argument raised in many quarters against the commission's work is that much of what is recommended could be done by the President through executive order were he so minded, but that the apparent use made of the commission is that of throwing responsibility upon Congress for methods and practices for which it is not responsible save as a result of failure to act in the correction of administrative methods.